GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:133
ANSWERED ON:26.02.2008
FDI CEILING
Acharia Shri Basudeb

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government has any proposal to raise the FDI ceiling from 26 per cent to 49 per cent in several crucial sectors viz. petroleum, commodity exchanges etc.;

(b) if so, the details thereof;

(c) whether compulsory disinvestment of 26 per cent stakes to an Indian partner in case of petroleum trading and marketing companies has also been done away with;

(d) if so, whether there is any objection from any quarter on the decision of the Government; and

(e) if so, the details and reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) & (b): Government has approved, inter-alia, the following changes in the policy on Foreign Direct Investment (FDI):

i. In the Petroleum & Natural Gas Sector, the Government has approved increase in the foreign equity cap from 26% to 49% in petroleum refining by Public Sector Undertakings (PSUs) without involving any divestment or dilution of domestic equity in existing PSUs. The Government has also approved the deletion of the condition of compulsory divestment of up to 26% equity within 5 years for actual trading and marketing of petroleum products.

ii. Government has approved foreign investment in the Commodity Exchanges upto 49% with a limit of 23% on investment by Foreign Institutional Investors (FII) and 26% on FDI. FII purchases shall be restricted to secondary market only and no single entity will hold more than 5% of the equity in these companies.

(c) to (e): The above policy was finalised after consultations with stakeholders and through inter-ministerial consultations. The policy on FDI is also reviewed on a continuing basis.